

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE PETITION OF)
DELAWARE DIVISION OF THE PUBLIC)
ADVOCATE TO REDUCE THE RATES OF)
REGULATED UTILITIES AS A RESULT) PSC DOCKET NO. 17-1240
OF THE TAX CUTS AND JOBS ACT OF)
2017'S REDUCTION IN CORPORATE)
INCOME TAXES AND OTHER TAX)
CHANGES (FILED DECEMBER 27, 2017))

ORDER NO. 9332

AND NOW, this 31st day of January, 2019:

1. On December 22, 2017, the President signed the Tax Cuts and Jobs Act of 2017 ("TCJA"), which became effective on January 1, 2018. The TCJA represents the first significant change in the United States federal tax laws since the 1986 Tax reform Act. Among other things, the TCJA: (1) reduces the federal corporate income tax rate from 35% to 21%; (2) allows full and immediate expensing of short-lived capital investments for five years; and (3) increases the expensing cap from \$500,000 to \$1 million.

2. The Delaware Public Service Commission ("Commission") has long included in a regulated utility's operating expenses an amount of federal corporate income tax equal to what the utility would pay if it were a stand-alone company. For many years, the Commission has included in regulated utilities' operating expenses an amount of federal corporate income tax equal to 35%, and has deducted from those utilities' rate base a corresponding amount of Accumulated Deferred Income Tax ("ADIT") pursuant to 26 Del. C. §102(3).

3. On December 27, 2017, the Delaware Division of the Public Advocate ("DPA") filed a petition with the Commission requesting the

Commission to open a docket to examine whether the current rates of its regulated utilities required reduction as a result of the TCJA. The DPA contended that unless the Commission reduces rates in an amount that corresponds to the benefits that the TCJA confers on the utilities, Delaware regulated utility ratepayers will be paying unjust and unreasonable rates. The DPA requested the Commission to direct each regulated utility to file an estimate of its determination of the TCJA's effects on its cost of service, and to propose a procedure for changing rates to reflect those impacts, on or before March 31, 2018. Additionally, should the Commission determine that any utility's rates require reduction as a result of its review of the utility's submission, the DPA asked the Commission to open a docket for each utility for which it made such a determination, and to establish a procedural schedule for conducting an evidentiary hearing regarding the TCJA's impacts on the utility's operations and existing rates.

4. On January 16, 2018, in Order No. 9166, the Commission granted the DPA's petition. It directed each rate-regulated public utility to file an estimate of its determination of the TCJA's effects on its cost of service for the most recent test year available (including new rate schedules) and to propose a procedure for changing rates to reflect those impacts on or before March 31, 2018. It also ordered that if it determined that a utility's rates required reduction, it would open a new docket for each utility for which it made such a determination and would establish a procedural schedule for conducting an evidentiary hearing regarding the TCJA's impacts on the utility's operations and existing rates. The Commission exempted Delmarva Power & Light Company

("DPL") from this order, instead directing that the effects of the TCJA on DPL's electric and natural gas base rates would be addressed in DPL's pending base rate cases, Docket Nos. 17-0977 and 17-0978.

5. On January 19, 2018, the DPA filed a motion to direct regulated utilities to create regulatory liabilities reflecting the Delaware jurisdictional revenue requirement impacts of the TCJA effective February 1, 2018 while the Commission determines whether a utility's rates required reduction and, if so, the amount of such reduction. The DPA contended that in order to preserve the rate-reducing effects of the TCJA until the Commission approves new rates for the utilities, a regulatory liability must be created; otherwise, the prohibition against retroactive ratemaking would deprive ratepayers of the benefits accruing from the TCJA between its effective date and the date on which Commission-authorized new rates become effective. The DPA noted that the reduction of the federal income tax rate from 35% to 21% benefits ratepayers by reducing one of the elements of a utility's cost of service that goes into calculating a utility's revenue requirement by 14%.

6. On February 1, 2018, in Order No. 9177, the Commission granted the DPA's motion and directed all Delaware rate-regulated public utilities to create regulatory liabilities reflecting the Delaware jurisdictional revenue requirement impacts of the changes in the federal corporate income tax laws, in order to protect ratepayer interests until such time as the TCJA benefits are appropriately reflected in customers' rates and to avoid retroactive ratemaking.

7. On March 29, 2018, Tidewater Utilities, Inc. ("Tidewater") complied with Commission Order No. 9166 and submitted an estimate of its determination of the TCJA's effects on its cost of service for the most recent test year available (including new rate schedules) and to propose a procedure for changing rates to reflect those impacts. It further submitted a proposal for returning the regulatory liability created pursuant to Commission Order No. 9177 to ratepayers.

8. The DPA and Commission Staff have reviewed Tidewater's filing. The DPA, Staff and Tidewater have agreed, subject to the Commission's consideration and approval, that Tidewater's volumetric and fire protection rates shall be reduced to reflect the reduction of the federal corporate income tax rate from 35% to 21% as follows:

GWS Consumption Charge		
	Current Rate	New Rate
Apts. & Comm.	\$8.4191	\$7.9241
GMS 0-5000 gallons	\$8.2074	\$7.7248
5001-20,000 gallons	\$8.3131	\$7.8243
Over 20,000 gallons	\$8.4189	\$7.9252

Private Fire Charge		
	Current Rate	New Rate
1"	\$28.67	\$26.91
2"	\$100.35	\$94.35
4"	\$425.28	\$400.26
6"	\$950.90	\$895.05
8"	\$1,691.55	\$1,592.25
Public Fire Charge		
	Current Rate	New Rate
All	\$15.09	\$14.22

See Tariff Sheets attached hereto as Exhibit 1.

9. The DPA, Staff and Tidewater have further agreed that, subject to the Commission's consideration and approval, the regulatory liability created pursuant to Order No. 9177 for the tax collected from February 1, 2018 through the effective date of these rate changes shall be

returned to ratepayers via a credit on ratepayers' bills during the period April through June 2019.

10. On January 31, 2019, the Commission considered Tidewater's new proposed rates at its regularly-scheduled meeting.

NOW, THEREFORE, BY THE AFFIRMATIVE VOTES OF NO FEWER THAN THREE COMMISSIONERS, IT IS HEREBY FOUND AND ORDERED:

1. Pursuant to 26 Del. C. § 304(a), the Commission finds good cause to waive the 60- days' notice of proposed rate changes and to waive the public notice requirement to allow these rate changes to become effective with usage on and after March 1, 2019. Good cause exists because the proposed changes are a decrease in rates, which benefits Tidewater's ratepayers, and because Tidewater has been on notice since the Commission issued Order Nos. 9166 and 9177 that the Commission would examine the effect of the TCJA on its rates.

2. The Commission hereby approves the proposed reductions in Tidewater's volumetric and fire protection rates set forth on the tariff sheets attached hereto as Exhibit 1, effective with usage on and after March 1, 2019.

3. The Commission hereby further approves the return of Tidewater's regulatory liability created pursuant to Order No. 9177 for the tax collected from February 1, 2018 through the effective date of these rate changes to ratepayers via a credit on ratepayers' bills during the period April through June 2019.

4. The Company shall file its Excess Deferred Income Tax Workpapers by March 31, 2019 for an audit and true-up of the Company's claimed annual amortization rate.

5. The Commission reserves jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

Chairman

Joan Moraway

Commissioner

W. B. King

Commissioner

[Signature]

Commissioner

K. Drexler

Commissioner

ATTEST:

Donna Nicholson

Secretary



TIDEWATER UTILITIES, INC.
P.S.C. DEL. NO. 6
THIRTEENTH REVISED PAGE NO. 21
CANCELING
TWELFTH REVISED PAGE NO. 21
DECEMBER 27, 2017
EFFECTIVE DATE: MARCH 1, 2019

TARIFF SCHEDULE OF RATES

1. GENERAL WATER SERVICE CHARGES:

General Water Service customers are charged a Facilities Charge plus a Water Consumption Charge and a Public Fire Hydrant Charge, where applicable:

(a) FACILITIES CHARGES:

A Facilities Charge payable in advance is based on the customer's meter size, as follows:

Meter Size	Monthly Facilities Charge	Quarterly Facilities Charge
5/8" - 3/4"	\$ 18.20	\$ 54.60
1"	\$ 30.33	\$ 90.99
1-1/2"	\$ 54.61	\$ 168.83
2"	\$ 84.95	\$ 254.85
3"	\$ 163.83	\$ 491.49
4"	\$ 254.85	\$ 764.55
6"	\$ 497.55	\$ 1,492.65
8"	\$ 776.67	\$ 2,330.01
10"	\$ 1,032.77	\$ 3,098.31

(b) WATER CONSUMPTION CHARGES:

R

Quarterly Residential Customers	Rate per Thousand Gallons
0 - 5,000 gallons	\$7.7248
5,001 - 20,000 gallons	\$7.8243
Over 20,000 gallons	\$7.9252

All other general water service customers are charged for consumption at \$7.9241 per thousand gallons registered on the meter.

(c) PUBLIC FIRE HYDRANT CHARGES:

R

Where fire hydrants are installed, such districts will be termed Fire Hydrant Districts. A service charge of \$14.22 per quarter, or \$4.74 per month, will be added to the regular Facilities Charge on all services in these districts. Apartment houses, hotels, motels and other multiple unit buildings will be charged one such hydrant service charge of \$14.22 per quarter, or \$4.74 per month, for every four units.

TIDEWATER UTILITIES, INC.
P.S.C. DEL. NO. 6
TENTH REVISED SHEET PAGE NO. 22
CANCELING
NINTH REVISED PAGE NO. 22
DECEMBER 27, 2017
EFFECTIVE DATE: MARCH 1, 2019

2. PRIVATE FIRE SERVICE CHARGES:

R

- a) Customers with one service line providing both General Water Service and Private Fire Service (not used for General Water Service purposes) are charged a Private Fire Facilities Charge equal to the charge for a meter the same size as the service line, plus a charge for General Water Service based on the size of the meter, plus a Water Usage Charge, plus a Public Fire Hydrant Charge, if applicable. The Private Fire Facilities Charge is as follows:

Size of Meter	Monthly Facilities Charge	Quarterly Facilities Charge
1"	\$ 8.97	\$ 26.91
2"	\$ 31.45	\$ 94.35
4"	\$133.42	\$ 400.26
6"	\$298.35	\$ 895.05
8"	\$530.75	\$ 1,592.25

- b) Customers with a dedicated Private Fire Service line are charged a Private Fire Facilities Charge based on the meter size or, if there is no meter, based on the charge for a meter the same size as the service line, plus a Water Usage Charge, plus a Public Fire Hydrant Charge, if applicable. The Private Fire Facilities Charge is as follows:

Size of Meter	Monthly Facilities Charge	Quarterly Facilities Charge
1"	\$ 8.97	\$ 26.91
2"	\$ 31.45	\$ 94.35
4"	\$133.42	\$ 400.26
6"	\$298.35	\$ 895.05
8"	\$530.75	\$ 1,592.25

- c) Customers applying for one service line based on meter size and who also have Private Fire Service after the meter are charged a General Water Service Charge and a Public Fire Hydrant Charge, if applicable. In each case, any water available for fire protection, but used for purposes other than fire protection, is to be metered and to be subject to a Water Consumption Charge.